

19 November 2021

ASX Markets Announcement Office  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

### BY ELECTRONIC LODGEMENT

#### 2021 Annual General Meeting

Please find attached for release to the market, the Chair's Address, CEO's Update and Presentation Slides to be presented this morning to McGrath's Annual General Meeting to be held Online at 11:00am (AEDT).

-ENDS-

This Announcement was authorised for release by McGrath's Board of Directors.

For further information, please contact:

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#### About McGrath:

McGrath Limited (**ASX: MEA**) has grown to be an integrated real estate services business, offering agency sales, property management, mortgage broking and career training services. McGrath Estate Agents currently has 108 offices located throughout the East Coast of Australia. For further information, please visit [www.mcgrath.com.au](http://www.mcgrath.com.au).

## 2021 Annual General Meeting - Chair's Address and CEO's Presentation

### SLIDE 4: CHAIR'S ADDRESS

I would like to start by thanking you all for your continued support and investment during what has been another challenging year.

The ongoing impact of the pandemic and lockdowns have had a profound effect on all of us, on our livelihoods and the economy more generally. I hope you and your families are in good health, good spirits, and are remaining positive and safe. We would have preferred today's meeting in-person, however we feel connecting digitally for now remains the safest choice.

As a company, we are proud that we have remained focussed on ensuring the safety and wellbeing of all stakeholders, including our staff, clients, and business partners.

COVID has placed many constraints on how businesses operate and we have once again adapted quickly to successfully deal with these challenges. Our team have conducted business with focus, dedication, and integrity, while optimising digital technology solutions to ensure business continuity for our clients. It has been an extraordinary response to an extraordinary year.

We are now actively on the path to emerging from COVID, which Eddie will speak to in his address.

The commitment and leadership of our Executives and all 2,000 of our team members have been key to the delivery of the group's improved 2021 financial results.

Evidence of this performance is in 17 McGrath agents featured in the annual Real Estate Business Top 100 rankings, with two in the Top 10. Further, nine agents are listed in REB's Top 50 Women rankings, with three in the Top 10. An extraordinary performance.

In challenging circumstances our people have continued to deliver exceptional service to clients and stakeholders, something we can all be proud of.

You would also be aware that we have been purchasing shares in our employee share plan to meet the obligations of the group's long term incentive program. This program is essential to ensure alignment between the executive team and shareholders. Recently we became aware that AL Capital, which currently holds 17.5% of the company, intends to reduce its holding to around 15%.

The Board has requested that the McGrath Employee Share Trust acquire approximately 2.2 million of those shares to satisfy staff compensation obligations. Our employee share incentive scheme is designed to attract and retain key staff, and this is good opportunity to procure these required shares, which should be completed next week.

McGrath is continuing to perform on a solid trajectory, evidenced by the trading update released to the market coupled with a strong balance sheet has enabled the company to maintain dividends to our shareholders, an intention which we flagged at last year's Annual General Meeting. We anticipate the continuation of dividends into 2022.

Also flagged at last year's meeting was a two-year board renewal program, which was impacted during the year by the COVID crisis. Today we re-commit to this program and should be making announcements in the near future.

The Australian residential property market has performed strongly in 2021, and although there is always a level of uncertainty about future headwinds and market volatility, our Company is in a strong financial position to deal with any such conditions and is well placed to consolidate our market leading position, remaining dedicated to ensuring that rewarding times are ahead for all our stakeholders.

Eddie Law, our CEO, now has some comments.

## SLIDE 5: CEO'S PRESENTATION

Good Morning ladies and gentlemen and thank you Peter for your introduction. My brief presentation this morning will have four parts:

- **Emerging from COVID-19**
- **A brief recap of the 2021 financial year**
- **Trading update and**
- **Business Improvement Initiatives and Growth Strategies**

## SLIDE 6: EMERGING FROM COVID-19

Moving to the first part of my presentation, as Peter mentioned, the ongoing pandemic and life in lockdowns have impacted all of us. However, despite this being one of the greatest social and economic challenges in our history, the real estate market has continued to perform strongly and has shown greater resilience than many other sectors.

Looking back on this year as we emerge from COVID, whilst total listing volumes are still below 5-year averages, home values have remained buoyant, as the pandemic highlighted a re-calibration of lifestyle choices. Fortunately for McGrath, positive market sentiment, price stability in key markets and strong clearance rates contributed to our sales business performing significantly better in FY21.

In our Property Management business, whilst we saw marginal increases in vacancy rates in Sydney and Melbourne CBD's, the McGrath network (both Company Owned and Franchise) of premium property management businesses, with over 33,000 properties managed for approximately 28,000 landlords, still performed well and contributed strongly to our FY21 results.

During lockdowns, we were able to successfully innovate some of our key processes so we could continue operating efficiently and effectively for our clients. With the many restrictions placed on our business, we quickly adopted processes that were not only compliant with Work, Health and Safety regulations but also seamless. These seamless processes give us the ability to conduct our business operations and transactions through advanced technology and digital solutions such as live streaming auctions and virtual property inspections.

Ultimately our goal through all of this has been to keep people and our communities safe. It has been inspiring to see how well our network and our clients adapted to the online environment throughout the pandemic. We will continue to leverage the success of this technology and the digital solutions utilised during lockdowns, and as such we are now adapting them into our operating rhythms and business transactions going forward.

Now that lockdowns have lifted, and restrictions are easing we are emerging from COVID optimistically but cautiously, with a continued focus on the health and wellbeing of our people. We recognise that the last 18 months have had significant impacts on many and our focus continues to be on initiatives that prioritise wellbeing for our people, including our recent support of R U OK? Day, Tour De Cure and the McGrath Step Up Challenge which raised funds for the Kids Helpline – a wonderful organisation for helping children and young people.

We are also cognisant that the disruption of the pandemic and the success of the digital environment and technology to keep people connected is creating changes in traditional ways of working. For McGrath it has presented us with a unique opportunity to redefine traditional work practices. We have recently consulted with our company owned employees on the implementation of a hybrid working model that balances both physical and digital locations and the best approach to future ways of working.

## SLIDE 7: RECAP OF FY21 RESULTS

And now a brief Recap of the FY21 results.

Pleasingly, FY21 saw strong growth in our results.

FY21 revenue of \$122.4m increased by \$30.7m or 34% relative to last year. Underlying EBITDA has increased by \$14 million to \$17.7 million for FY21.

We have recorded a \$19.0 million statutory net profit, a growth of \$18.3 million compared to the FY20 year.

Our balance sheet remains strong, and, in the period, we have increased our cash balance to be \$35.8 million as at 30 June 2021 with zero external debt.

Off the back of this profit performance and solid financial position, we were pleased to pay a final fully franked dividend for the year of 1.0 cent per share in September 2021. This resulted in a 1.5 cent, fully franked dividend per share declared for FY21.

## SLIDE 8: TRADING UPDATE

Moving on to our trading update which we have released to the ASX earlier today.

Subject to continued market conditions and the company's performance, we expect the first half underlying FY22 EBITDA to be in a range of \$10 million to \$11 million. This projected underlying EBITDA represents an increase of approximately \$4 million, (or approximately 60%) compared with the first half of the prior year.

On a statutory reporting basis, McGrath noted that Net Profit After Tax (NPAT) for the first half of FY22 is likely to be less than the first half of the prior year. The prior period included one off abnormal items of at least \$4million, which contributed to reported NPAT in that period. These results for the first half of FY22 will be announced to the market on 21st February 2022.

We are pleased with our first four month's performance achieved during a sustained period of COVID- 19 lockdown restrictions experienced across our Eastern Seaboard markets. We were able to successfully innovate many of our key processes through these lockdowns, conducting our business operations and transactions through advanced technology and digital solutions.

The fundamentals remain strong and with liquidity and low interest rates driving buyer demand. As we emerge from the COVID-19 lockdowns, we expect supply will increase over the coming months. Buyer demand may become constrained by affordability, helping to moderate some of the strong price gains we have seen. Our business is well positioned for long-term future growth.

## SLIDE 9: 2021 BUSINESS IMPROVEMENT INITIATIVES AND GROWTH STRATEGIES

Moving to our business priorities for the 2022 year and beyond, I see a number of primary areas of focus for our business to deliver shareholder growth.

1. Focusing on strategies to improve our agent productivity, attraction and retention. We have introduced a new agent remuneration package which entitles the agent greater commission at settlement, reducing both our recorded revenues and cost of sales without impacting our profits.
2. A focus on Digital service initiatives and leveraging off the success of our data centric approach.
3. We believe there is further growth in the property management division with the revitalisation in this business from focusing on the overall customer experience.
4. Projects division to promote the capacity to access third-party capital, to increase our relevance to developers where we can provide a more holistic solution encompassing both capital, agency and management.
5. In conjunction with our new partners, we see enhanced scale and optimisation of the Oxygen home loans business beyond McGrath.

6. Finally, we feel there remains industry consolidation opportunities across what remains a highly fragmented sector.

In closing, I look forward to working with all our very talented people to ensure rewarding times ahead for all shareholders and other stakeholders.



# McGrath Limited 2021 Annual General Meeting

Friday 19<sup>th</sup> November 2021 – 11:00am





Peter Lewis **Chair**



Wayne Mo **Director**



Andrew Robinson **Director**



Shane Smollen **Director**



John McGrath **Founder & Director**



Eddie Law **CEO**



# AGENDA

## **Chair Address**

Peter Lewis

## **CEO Address**

Eddie Law

## **Formal Business**

Six Resolutions





**McGrath**

# CHAIR ADDRESS

## Peter Lewis



# CEO ADDRESS

## Eddie Law

- Emerging from COVID-19
- Brief Recap of 2021 Financial Year
- Trading Update
- Business Improvement Initiatives and Growth Strategies

# EMERGING FROM COVID-19

PEOPLE

## HEALTH & SAFETY

The health & Safety of all stakeholders remains our highest priority

## HYBRID WORKING MODEL

Transition to hybrid working model for certain team members

OPERATIONS

## DIGITAL INSPECTIONS

Reducing the number of physical inspections required

## DIGITAL AUCTIONS

Allowed the Auction process to take place despite restrictions

## SIGN ON GLASS

Streamlining the listing and selling process

## RECAP OF FY21 RESULTS

<b>REVENUE</b>	\$30.7m (34%) increase to \$122.4m
<b>UNDERLYING EBITDA</b>	Significant Underlying EBITDA increase of \$14.0m to \$17.7m
<b>STATUTORY NET PROFIT</b>	\$18.3m increase in Net Profit to \$19.0m
<b>BALANCE SHEET</b>	Strong Balance Sheet with zero debt and a \$35.8m Cash Balance
<b>DECLARED DIVIDEND</b>	Final dividend of 1.0 cent fully franked per share declared and to be paid in September 2021. Resulting in a 1.5 cent fully franked dividend per share in FY21.

## TRADING UPDATE

### □ Underlying EBITDA

H1 FY22 Underlying EBITDA (pre AASB leasing standard ) to be in the range of \$10m to \$11m , increase of approximately \$4m (or approximately 60% ) vs H1 of the prior year.

### □ Reported NPAT

Net Profit after tax for the first half of FY22 is likely to be less than the first half of the prior year. The prior period included one off abnormal items of at least \$4m which contributed to reported NPAT in that period.



## BUSINESS IMPROVEMENT INITIATIVES AND GROWTH STRATEGIES

<b>AGENT PRODUCTIVITY, ATTRACTION AND RETENTION</b>	Implementation of growth strategies to improve agent productivity, attraction and retention.
<b>DIGITAL</b>	Continued traction from our data centric approach and other digital solutions
<b>PROPERTY MANAGEMENT</b>	Revitalisation of the property management businesses, with a focus on improving the overall customer experience
<b>ENHANCED PROJECTS DIVISION</b>	Projects division capability and relevance to Developers enhanced with the execution of an alignment agreement with a third-party capital provider
<b>GROWTH IN MORTGAGE HOME LOANS</b>	Enhanced scale and optimisation of Oxygen Mortgage Home Loan business by partnering with financial services and technology consortium
<b>INDUSTRY CONSOLIDATION</b>	Industry consolidation opportunities to complement existing businesses

EDDIE LAW - CEO

HOWARD HERMAN - CFO

TERRI SISSIAN - COMMUNICATIONS DIRECTOR

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McGRATH  
CONTACTS  
ASSOCIATED  
WITH THIS  
PRESENTATION



McGrath

## DISCLAIMER

This Presentation has been prepared by McGrath Limited (Company) together with its related bodies corporate (McGrath Group) and is dated 19 November 2021. The material contained in this Presentation has been prepared in connection with the Company's 2021 Full Year results and is intended to be general background information on the McGrath Group and its activities which are current as at the date of this Presentation.

The information in this Presentation is of a general nature and does not purport to be complete nor does it contain all information which a prospective investor may require in evaluating a possible investment in the Company or that would be required in a prospectus, product disclosure statement or other disclosure document prepared in accordance with the requirements of the Corporations Act 2001 (Cth). This Presentation should be read in conjunction with the Company's other periodic and continuous disclosure announcements filed with the Australian Securities Exchange and in particular the Company's latest full year results for the year ended 30 June 2021, copies of which are available at <https://investor.mcgrath.com.au/Investor-Centre/>. It is not intended that it be relied upon as advice to investors or potential investors, who should consider seeking independent professional advice depending upon their specific investment objectives, financial situation or particular needs. The material contained in this Presentation may include information derived from publicly available sources that have not been independently verified. No representation or warranty is made as to the accuracy, completeness or reliability of the information.

To the extent permitted by law, no responsibility for any loss arising in any way (including by way of negligence) from anyone acting or refraining from acting as a result of this material is accepted by the McGrath Group, including any of its related bodies corporate. All amounts are in Australian dollars unless otherwise indicated.

Unless otherwise noted, financial information in this Presentation is based on A-IFRS. McGrath Group uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards or International Financial Reporting Standards (IFRS). These measures are collectively referred to in this Presentation as 'non-IFRS financial measures' under Regulatory Guide 230 "Disclosing non-IFRS financial information" published by ASIC. Management has used these non-IFRS financial measures to evaluate the performance and profitability of the overall business and the Company believes that they are useful for investors to understand the Company's financial condition and results of operations. Unless otherwise specified, those non-IFRS financial measures have not been subject to audit or review in accordance with Australian Accounting Standards.

Forward-looking statements are statements about matters that are not historical facts. Forward looking statements appear in a number of places in this Presentation and include statements regarding the McGrath Group's intent, belief or current expectations with respect to business and operations, market conditions, results of operations and financial condition, including, without limitation, future loan loss provisions, financial support to certain borrowers, indicative drivers, forecasted economic indicators and performance metric outcomes.

This Presentation contains words such as 'will', 'may', 'expect', 'indicative', 'intend', 'seek', 'would', 'should', 'could', 'continue', 'plan', 'probability', 'risk', 'forecast', 'likely', 'estimate', 'anticipate', 'believe', or similar words to identify forward-looking statements. These forward-looking statements reflect the McGrath Group's current views with respect to future events and are subject to change, certain risks, uncertainties and assumptions which are, in many instances, beyond the control of McGrath Group, and have been made based upon the

McGrath Group's expectations and beliefs concerning future developments and their potential effect upon us. There can be no assurance that future developments will be in accordance with the McGrath Group's expectations or that the effect of future developments on the McGrath Group will be as anticipated. Actual results could differ materially from those which the McGrath Group expects, depending on the outcome of various factors. Factors that may impact on the forward-looking statements made include, but are not limited to, general economic conditions in Australia, competition in markets in which the McGrath Group will operate and the inherent regulatory risks in the business of the McGrath Group.

When relying on forward-looking statements to make decisions with respect to us, investors and others should carefully consider such factors and other uncertainties and events. The McGrath Group is under no obligation to update any forward looking statements contained in this Presentation, where as a result of new information, future events or otherwise, after the date of this presentation.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by COVID-19.

**McGrath**